

AGENDA DATE: 5/25/00



State of New Jersey
Board of Public Utilities

Two Gateway Center
Newark, NJ 07102

| | | |
|-----------------------------------|---|------------------------------|
| IN THE MATTER OF THE |) | <u>ENERGY</u> |
| CONSIDERATION AND |) | |
| DETERMINATION OF PUBLIC |) | |
| SERVICE ELECTRIC AND GAS |) | ORDER OF MODIFICATION |
| COMPANY'S DEMAND SIDE |) | |
| MANAGEMENT (DSM) PLAN FILED |) | |
| PURSUANT TO <u>N.J.A.C.</u> 14:12 |) | DOCKET NO. EE98060402 |

(SERVICE LIST ATTACHED)

BY THE BOARD:

Pursuant to N.J.A.C. 14:12-1.1 et seq., on June 29, 1998, Public Service Electric & Gas Company ("PSE&G" or "Company") filed with the New Jersey Board of Public Utilities ("Board") its third proposed Demand Side Management Resource Plan ("DSM3" or "Plan"). After public and evidentiary hearings, the Board issued its Order in this matter on October 1, 1999.

By letter dated February 2, 2000, PSE&G requested that it be authorized to modify its Residential Air Conditioning Cycling Program ("Program") under DSM3. Specifically, the Company requested Board authorization to restore the monthly credit to Program participants from \$6 to \$8. The Board had previously approved a reduction of the credit from \$8 to \$6 at the Company's request. In doing so, the Board stated in its October 1, 1999, Order:

Cost effective capacity savings is one of the major objectives of the DSM regulations and this program has been shown to be cost effective. The Board wants to ensure that the benefits achieved so far are not lost

because participation declines due to the lowered incentive payment proposed by the Company. Based upon the measured high cost effectiveness of the program, as noted by the Company, the Board **HEREBY APPROVES** this program as filed. However, the Board also **HEREBY DIRECTS** PSE&G to maintain its policy of retaining current participants under the Residential Air Conditioning Cycling Program unless the customer seeks to be removed and to restore the payment levels if significant reductions in participation result. If there is a reduction in participation below 90% of the level existing upon institution of the new plan the Company is also **DIRECTED** to report this to the Board and restore payment levels.

PSE&G reported that, within one week of notifying customers of the reduction of the payment for participation, over 200 customers notified the Company that they would not continue to participate in the Program. While the number of participants who have asked to drop out of the Program has not yet reached 10%, it is much higher than PSE&G anticipated. Further, the Company anticipates continuing the program under a new plan it has proposed in the Comprehensive Resource Analysis proceeding pending before the Board.

Discussion and Finding

Maintaining an adequate level of Program participation to support the Company's distribution system reliability efforts was the objective of the Board in its October 1, 1999 Order. However, based upon the relatively small number of customers declining continued participation, out of a total participation level of approximately 142,000 customers, the Board **FINDS** the request by PSE&G to restore the previous monthly credit level of \$8 be premature. Modification of the Program now would significantly increase the overall cost of the Program, without any assurance that the 10% "trigger" level would actually have occurred. Therefore, we **HEREBY DENY** the Company's request at this time.

The Board recognizes the importance of maintaining effective load management measures by PSE&G and other New Jersey electric utilities. To mitigate any significant adverse impact to the Program resulting from the credit reduction, we **DIRECT** the Company to provide information to Board Staff, on a monthly basis, regarding the status of the Program. Should Board Staff's analysis of the information determines that

erosion of the participant base threatens the effectiveness of the Program, this matter may be returned to the Board for further consideration prior to reaching the 10% trigger level.

DATED: 5/25/2000

**BOARD OF PUBLIC UTILITIES
BY:**

**____ SIGNED ____
HERBERT H. TATE
PRESIDENT**

**____ SIGNED ____
CARMEN J. ARMENTI
COMMISSIONER**

**____ SIGNED ____
FREDERICK F. BUTLER
COMMISSIONER**

**ATTEST: ____ SIGNED ____
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